

197—10.6(534) Self-dealing.

10.6(1) *Purchase of obligations, etc., from association.* Unless lawfully authorized by the instrument creating the relationship, or by court order or local law, funds held by an association as fiduciary shall not be invested in stock or obligations of, or property acquired from, the association or its directors, officers, or employees, or individuals with whom there exists such a connection, or organizations in which there exists such an interest, as might affect the exercise of the best judgment of the association in acquiring the property, or in stock or obligations of, or property acquired from, affiliates of the association or their directors, officers or employees.

10.6(2) *Sale or transfer of trust assets to association.* Property held by an association as fiduciary shall not be sold or transferred, by loan or otherwise, to the association or its directors, officers, or employees, or to individuals with whom there exists a connection, or organizations in which there exists an interest, as might affect the exercise of the best judgment of the association in selling or transferring such property, or to affiliates of the association or their directors, officers or employees, except:

a. When lawfully authorized by the instrument creating the relationship or by court order or by local law;

b. In cases in which the association has been advised by its counsel in writing that it has incurred as fiduciary a contingent or potential liability and desires to relieve itself from liability, in which case a sale or transfer may be made with the approval of the board of directors and the superintendent. In all cases the association, upon the consummation of the sale or transfer, shall make reimbursement in cash at no loss to the account;

c. As provided in the laws and regulations governing collective investments; and

d. When required by the superintendent.

10.6(3) *Investment in stock of association.* If associations operating under these rules have a stock type of ownership, except as provided by subrule 10.4(2), funds held by an association as fiduciary shall not be invested by the purchase of stock or obligations of the association or its affiliates unless authorized by the instrument creating the relationship or by court order or by local law. However, if the retention of stock or obligations of the association or its affiliates is authorized by the instrument creating the relationship or by court order or by local law, it may exercise rights to purchase its own stock or securities convertible into its own stock when offered pro rata to stockholders, unless such exercise is forbidden by local law. When the exercise of rights or receipt of a stock dividend results in fractional share holdings, additional fractional shares may be purchased to complement the fractional shares so acquired. In elections of directors, an association's share held by the association as sole trustee, whether in its own name as trustee or in the name of its nominee, may not be voted by the registered owner unless, under the terms of the trust, the manner in which shares shall be voted may be determined by a donor or beneficiary of the trust and the donor or beneficiary actually directs how the shares will be voted.

10.6(4) *Transactions between accounts.*

a. An association may sell assets held by it as fiduciary in one account to itself as fiduciary in another account if the transaction is fair to both accounts and if the transaction is not prohibited by the terms of any governing instrument or by local law.

b. An association may make a loan to an account from the funds belonging to another account, when the making of the loans to a designated account is authorized by the instrument creating the account from which the loans are made, and is not prohibited by local law, and the terms of the transaction are fair to all accounts.

c. An association may make a loan to an account and may take as security therefor assets of the account, provided the transaction is fair to the account and is not prohibited by law.